

COMPONENT UNITS

The City of Sugar Land has three entities that are considered component units of the City of Sugar Land. They are the Sugar Land Development Corporation, the Sugar Land 4B Corporation, and Tax Increment Reinvestment Zone #1 (TIRZ). The Sugar Land Development Corporation and the Sugar Land 4B Corporation are the only entities whose budget is included as part of the City's adopted budget. As such, they are the only component units included in the Citywide summary. However, the TIRZ budget is included in the document for informational purposes. A component unit is defined as a legally separate organization for which the elected officials of the primary government (the City) are financially accountable.

The Sugar Land Development Corporation was created in 1993 by the City under the Texas Development Corporation Act of 1979 and the Sugar Land 4B Corporation was created in 1995. The role of the Sugar Land Development Corporation is to provide guidance and funding for the operations of the City's economic development program and provides business incentives to support and promote the growth and diversification of the City's economic base, through various programs run through the Economic Development Department. The role of the Sugar Land 4B Corporation is to provide guidance and funding for quality of life projects such as parks and aesthetic, and support economic development efforts through the City's economic development program.

The Sugar Land economic development corporations are financed by additional sales taxes of a quarter cent for each corporation, which were approved by the voters. State law allows the City to collect this sales tax to assist in the promotion, enhancement, and development on behalf of the City. The Boards of Directors are appointed by and serve at the discretion of the City Council. In the event of dissolution, net assets of the Corporations shall be conveyed to the City.

The Tax Increment Reinvestment Zone #1 (TIRZ) represents the property improvements located at the Sugar Land Town Square, at the southeast corner of US59 and SH6. The City of Sugar Land, Fort Bend County, and LID #2 are the entities participating in the TIRZ.

Sugar Land Development Corporation (SLDC)

Fiscal Year 2005/06

Total revenues are projected to be \$17,555,167 or \$1,026,057 higher than budget and \$13,139,559 greater than fiscal year 2004/05 actual. The increase from the budget is attributable to higher than anticipated sales tax collections, greater TIRZ assignment, and higher interest income due to rising interest rates. Another factor in revenues over budget is \$415,311 in reimbursements from TxDOT for the completed US59 Phase I widening. The corporation issued \$12.36 million in sales tax revenue bonds as planned in December 2005. In fiscal year 2000/01, the Corporation loaned the Airport \$1.5 million toward the construction of a corporate hangar and air traffic control tower. The Corporation received the sixth payment with interest in fiscal year 2005/06 totaling \$183,308. Loan payments will be received through fiscal year 2010/11.

Total expenditures are projected to be \$21,606,707 and include capital projects, economic development incentives and debt service. Projections are \$16,065 higher than budget due to higher than anticipated transfer to the general fund for sales tax incentive grant payments, which are projected at \$256,520.

Projections include \$1,498,606 for debt service payments, plus \$111,180 in issuance cost for series 2005 sales tax revenue bonds, which were issued in December 2005. Proceeds of the bonds were used to reimburse the developer of Town Square for infrastructure. The corporation will receive an assignment of TIRZ revenues to help repay the debt. Economic Development program funds total \$130,399 and \$306,123 is projected to reimburse the City for support services and capital project management.

Projects funded in fiscal year 2005/06 include \$570,061 in payment to TxDOT for U.S.59 Phase II, \$11,525,185 for Town Square infrastructure reimbursement, and \$4,736,323 in funding for various capital improvements as identified in the City's Capital Improvement Plan.

Projected available funding at 9/30/06 is \$2,021,925, higher than budget by \$1,510,254 and \$1,603,657 more than policy requirements of \$418,268 or 10% of projected sales tax.

Fiscal Year 2006/07

Revenues for fiscal year 2006/07 are expected to be \$4,861,139 or \$697,029 higher than fiscal year 2005/06 budget, excluding bond proceeds of \$12.4 million. Base sales tax estimates of \$3,918,140 for fiscal year 2006/07 assume 5.07% growth over fiscal year 2005/06 base remittances, net of audit adjustments. Additional sales tax revenues to be generated from sales tax incentive agreements total \$383,180. Total sales taxes are budgeted at \$4,301,590, \$118,911 higher than fiscal year 2005/06 projections.

Budgeted interest income of \$256,549 for fiscal year 2006/07 is 78.1% higher than fiscal year 2005/06 budget. The budget includes interest earnings at estimated average interest rates of 5%.

Expenditures for fiscal year 2006/07 total \$5,417,059. Budgeted operating expenditures are estimated to be \$648,838 and include \$208,052 toward support of the economic development program, such as City marketing, advertising, website update and business development materials, and \$411,216 in reimbursement to the City for support services and capital project management.

Debt service requirements are \$2,094,499 for fiscal year 2006/07. A transfer of \$205,580 reimburses the City for the Corporation's share of sales taxes granted under a sales tax incentive agreement.

Capital improvements for fiscal year 2006/07 total \$850,061, including \$570,061 for the second of three payments to TxDOT for Phase II of the US59 expansion, \$100,000 for US59 Widening Phase II, \$50,000 for US59 Phase III – SH99 and \$130,000 for the installation of a signal at Dairy Ashford at Park Lane.

The corporation will receive a seventh payment from the Airport with interest in fiscal year 2006/07 totaling \$183,308.

The budget sets aside \$1.5 million in funding for direct incentives, which will be approved on a case-by-case basis. This funding will be supplemented by unspent funds from fiscal year 2005/06 for a total of \$2 million available for incentives.

Available funding at 9/30/07 is estimated to be \$1,272,837; an increase of \$761,166 over fiscal year 2005/06 budget, and \$842,678 over the fund balance policy of 10% of budgeted sales tax, which is \$430,159 for fiscal year 2006/07.

Sugar Land 4B Corporation (SL4B)

Fiscal Year 2005/06

Total revenues for fiscal year 2005/06 are projected to be \$10,220,196 or \$446,704 higher than budget and \$6,104,314 greater than fiscal year 2004/05 actual due to bond proceeds of \$5.5 million. The increase from the budget is attributable to higher than anticipated sales tax collections and higher interest income due to rising interest rates. Interest earnings are anticipated to come in \$204,689 higher than budget.

Total expenditures, including capital projects, economic development incentives and debt service are expected to be \$9,869,155 or \$113,043 higher than budget.

Included in the projected expenditures is \$3.5 million dollars in developer reimbursement for the construction of 400 additional parking spaces in the Texas Garage in Town Square.

Debt service on existing bond issues total \$1,928,303 for fiscal year 2005/06. Projected expenditures include the first of two \$1.75 million payments to the University of Houston for a long-term land lease to be used for parks and recreation needs. Sales tax incentive grant reimbursements are projected at \$256,520, which is transferred to the City's General Fund. Capital project funding is projected at \$2,163,390, same as budget.

Projected available funding at 9/30/06 is \$3,655,883 or \$720,256 higher than budget and \$3,237,615 higher than policy requirements of \$418,268 or 10% of budgeted sales tax.

Fiscal Year 2006/07

Total revenues for fiscal year 2006/07 are expected to be \$4,924,738 or \$681,246 higher than fiscal year 2005/06 budget, excluding bond proceeds of \$5.5 million. Base sales tax estimates of \$3,918,140 for fiscal year 2006/07 assume 5.07% growth over fiscal year 2005/06 base remittances, net of audit adjustments. Additional sales tax revenues to be generated from sales tax incentive agreements total \$383,180. Total sales taxes are budgeted at \$4,301,590, \$118,911 higher than fiscal year 2005/06 projections. Budgeted interest income of \$314,710 for fiscal year 2006/07 is 4.6% higher than fiscal year 2005/06 projections due to higher interest rates.

Expenditures for fiscal year 2006/07 total \$4,848,142. Operating expenditures are estimated to be \$781,734, including \$285,209 toward support of the economic development program, such as marketing and business development materials, and \$420,991 to reimburse the City for support services and capital project management. Economic Development funding includes \$65,000 for a lifestyle marketing project and \$60,000 towards preservation and documentation of a video of Sugar Land from the 1940's featuring Imperial Sugar.

Debt service on the three existing bond issues totals \$2,280,691 for the fiscal year. A transfer of \$205,580 reimburses the City for the Corporation's share of sales taxes granted under a sales tax incentive agreement approved by City Council in 2002.

Capital improvements for fiscal year 2006/07 total \$1,575,500, including \$868,000 for improvements to existing parks throughout the City, \$132,500 for ROW aesthetics and beautification improvements along SH6 and US90A, \$150,000 for Cultural Arts Study and \$425,000 for aesthetic improvements along major roadways.

Available funding at 9/30/07 is estimated to be \$3,406,157 an increase of \$470,530 over fiscal year 2005/06 budget, and \$2,975,998 greater than the fund balance policy of 10% of budgeted sales tax, which is \$430,159 for fiscal year 2006/07.

Tax Increment Reinvestment Zone (TIRZ) #1

Fiscal Year 2005/06

Total revenues for fiscal year 2005/06 are projected to be \$583,413 or \$60,294 less than the budget of \$643,707 and \$191,461 greater than fiscal year 2004/05 actual. The budget for incremental taxes was based on a \$62.2 million 2005 certified tax roll at estimated tax rates. Property taxes allocated from the City, County and LID #2 total \$578,113 and interest income is projected at \$5,300.

Operating expenditures are projected to be \$236,008 and include \$200,000 for marketing events in Town Square. Assignments totaling \$404,807 were made to Sugar Land Development Corporation and Sugar Land 4B Corporation toward repayment of debt issued in December 2005 for developer reimbursements in Town Square.

The projected ending fund balance at 9/30/06 is \$38,415.

Fiscal Year 2006/07

Revenues for fiscal year 2006/07 are expected to be \$824,550. Property taxes from the City, County and LID #2 total \$819,550 based on added value from the 2006 certified tax roll for the TIRZ of \$84.2 million and estimated tax rates for each participating entity at a 99.2% collection rate. Interest income is anticipated to be \$5,000.

Operating expenditures for fiscal year 2006/07 are estimated to be \$233,650, which includes \$200,000 for marketing events in Town Square, and funds for legal services, insurance, auditing services, and administrative services from City staff.

The budget includes anticipated assignment of revenues to the Sugar Land Development Corporation for \$303,000 and Sugar Land 4B Corporation for \$308,438. The assignments will support a portion of the debt service requirements on sales tax revenue bonds issued in December 2005 to reimburse the developer for Town Square infrastructure and expansion of the Texas Garage.

Estimated ending fund balance at 9/30/07 is \$17,877. The TIRZ has no minimum fund policy balance, thus the budget anticipates drawing down fund balance to reimburse Sugar Land Development Corporation and Sugar Land 4B Corporation toward debt service requirements.

**CITY OF SUGAR LAND
SUGAR LAND DEVELOPMENT CORPORATION
FISCAL YEAR 2006/07 BUDGET**

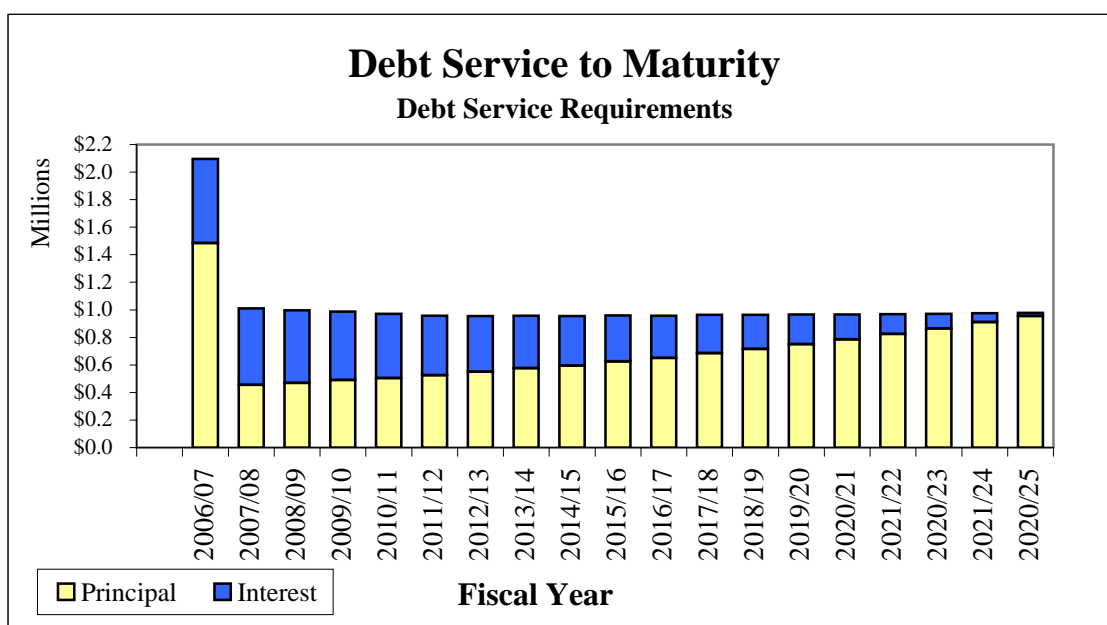
	FY 04/05 Actual	FY05/06 Current Budget	FY 05/06 Projection	FY 06/07 Base Budget	Enhance- ments	FY 06/07 Budget
Sources:						
Sales Tax Receipts	\$3,994,633	\$3,789,679	\$4,182,679	\$4,301,590		\$4,301,590
TIRZ Assignment		230,422	276,732	303,000		303,000
Bond Proceeds		12,365,000	12,365,000			
Interest Income	185,323	144,009	315,445	256,549		256,549
Miscellaneous	235,652		415,311			
TOTAL SOURCES	4,415,608	16,529,110	17,555,167	4,861,139		4,861,139
Uses:						
Operating Supplies	5,525	25,953	25,953	2,206		2,206
Contracted Services						
Professional Services	28,604	42,776	34,280	14,570		14,570
Public Relations - US 59	4,656	17,162	15,000	15,000		15,000
Economic Development Program	9,195	119,742	130,399	208,052		208,052
Texas Energy Center	100,000					
Other Contractual	272,600	317,373	306,123	411,216		411,216
Total Contracted Services	415,055	497,053	485,802	648,838		648,838
Professional Development						
Education, Training, Travel	7,019	20,043	20,043	19,580		19,580
Dues, Memberships, Meetings	40,560	39,172	39,172	41,205		41,205
Total Professional Development	47,579	59,215	59,215	60,785		60,785
Total Operations & Maintenance	468,159	582,221	570,970	711,829		711,829
Debt						
Debt Service	1,021,625	1,498,606	1,498,606	2,094,499		2,094,499
Sales Tax Repayment	2,737		2,740	2,740		2,740
Bond Issuance Costs		119,700	111,180			
Handling Fees	822	1,300	1,122	2,000		2,000
Total Debt	1,025,184	1,619,606	1,613,648	2,099,239		2,099,239
Projects						
US 59 Phase II		665,000	570,061	570,061		570,061
Town Square Infrastructure		11,525,185	11,525,185			
Capital Project Funding	394,213	4,736,323	4,736,323	280,000		280,000
Total Capital Projects	394,213	16,926,508	16,831,569	850,061		850,061
Transfer to Other Funds	322,791	128,307	256,520	205,580		205,580
Incentives		2,334,000	2,334,000	1,550,350		1,550,350
TOTAL USES	2,210,347	21,590,642	21,606,707	5,417,059		5,417,059
Excess(Deficit) Sources over Uses	2,205,261	(5,061,532)	(4,051,540)	(555,920)		(555,920)
Beginning Budgetary Balance	6,180,957	7,707,939	7,707,939	3,656,399		3,656,399
Ending Balance	8,386,218	2,646,407	3,656,399	3,100,480		3,100,480
Reserve for Airport Projects	(7,960)					
Loan O/S to Airport	(911,206)	(761,305)	(761,305)	(605,475)		(605,475)
Repayment- Airport Loan	149,900	155,830	155,830	161,997		161,997
Debt Service Reserve	(559,261)	(1,529,261)	(1,028,998)	(1,384,165)		(1,384,165)
ENDING BALANCE	\$7,057,691	\$511,671	\$2,021,925	\$1,272,837		\$1,272,837
Minimum Fund Balance		378,968	418,268	430,159		430,159
Over/Under Policy		132,703	1,603,657	842,678		842,678
Bond Coverage Ratio	2.63	1.71	2.21	4.11		4.11

COMPONENT UNIT - SUGAR LAND DEVELOPMENT CORPORATION
CAPITAL PROJECT DESCRIPTIONS
FISCAL YEAR 2006/07 BUDGET

CIP #	PROJECT TITLE	PROJECT DESCRIPTION	PROJECT COST
ST0307	US59 Highway Widening – Phase II	Funding to facilitate construction of US59 from SH6 to SH99 including aesthetic upgrades for signal and illumination poles.	\$ 100,000
ST0508	US59 Phase III: SH99 Interchange Reconstruction	Funding for 10% local share of ROW and utility costs, related to TxDOT's proposed reconstruction of the US59 at SH99 interchange; expansion to include reversing the bridge so that US59 main lanes are over SH99.	50,000
TR0506	Traffic Signal – Dairy Ashford @ Park Ln.	Construction of a traffic signal at the intersection of Dairy Ashford @ Park Ln.	130,000
TOTAL CAPITAL IMPROVEMENT PROJECTS			<u><u>\$ 280,000</u></u>

COMPONENT UNIT
SUGAR LAND DEVELOPMENT CORPORATION
DEBT SERVICE REQUIREMENTS TO MATURITY*

	Principal	Interest	Total
2006/07	1,485,000	609,499	2,094,499
2007/08	455,000	555,436	1,010,436
2008/09	470,000	526,530	996,530
2009/10	490,000	496,530	986,530
2010/11	505,000	465,436	970,436
2011/12	525,000	433,249	958,249
2012/13	550,000	405,499	955,499
2013/14	575,000	382,655	957,655
2014/15	595,000	359,106	954,106
2015/16	625,000	334,089	959,089
2016/17	650,000	307,308	957,308
2017/18	685,000	278,596	963,596
2018/19	715,000	247,968	962,968
2019/20	750,000	215,363	965,363
2020/21	785,000	180,825	965,825
2021/22	825,000	144,394	969,394
2020/23	865,000	105,946	970,946
2021/24	910,000	65,338	975,338
2020/25	955,000	22,204	977,204
	<u>\$13,415,000</u>	<u>\$6,135,969</u>	<u>\$19,550,969</u>



CITY OF SUGAR LAND
SUGAR LAND 4B CORPORATION
FISCAL YEAR 2006/07 BUDGET

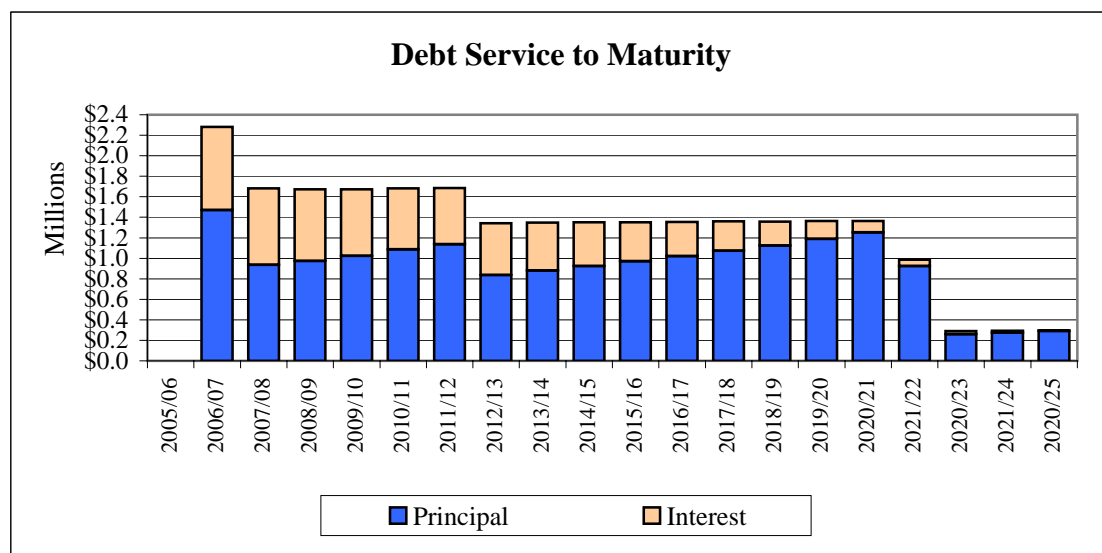
	FY 04/05 Actual	FY 05/06 Current Budget	FY 05/06 Projections	FY 06/07 Base Budget	Enhance- ments	FY 06/07 Budget
Sources:						
Sales Tax Receipts	\$3,994,633	\$3,789,679	\$4,182,679	\$4,301,590		\$4,301,590
Interest Income	121,249	96,053	300,742	314,710		314,710
Bond Proceeds		5,530,000	5,530,000			
Miscellaneous		78,700	78,700			
TIRZ Assignment		279,060	128,075	308,438		308,438
TOTAL SOURCES	4,115,882	9,773,492	10,220,196	4,924,738		4,924,738
Uses:						
Operating Supplies	3,210	13,171	13,171	2,360		2,360
Contracted Services						
Professional Services	6,948	29,523	29,523	14,944		14,944
Public Relations	445	1,872	1,872	445		445
Economic Development Program	26,238	39,975	23,168	285,209		285,209
Other Contractual	124,404	128,791	128,791	420,991		420,991
Total Contracted Services	158,035	200,161	183,354	721,589		721,589
Professional Development						
Education, Training	4,190	19,993	19,993	19,580		19,580
Dues, Memberships		36,257	36,257	38,205		38,205
Total Professional Development	4,190	56,250	56,250	57,785		57,785
Total Operations & Maintenance	165,435	269,582	252,775	781,734		781,734
Debt Service & Obligations						
Debt Service	1,651,829	1,819,666	1,819,666	2,280,691		2,280,691
Sales Tax Repayment	1,637		1,637	1,637		1,637
Bond Issuance Costs		104,700	104,700			
Debt Service Handling Fees	1,122	2,300	2,300	3,000		3,000
Total Obligations	1,654,588	1,926,666	1,928,303	2,285,328		2,285,328
Projects						
U of H Land Lease		1,750,000	1,750,000			
TIRZ - Parking Reimbursement		3,518,167	3,518,167			
Capital Project Funding	1,262,664	2,163,390	2,163,390	1,575,500		1,575,500
Total Projects	1,262,664	7,431,557	7,431,557	1,575,500		1,575,500
Transfer to Other Funds	322,791	128,307	256,520	205,580		205,580
TOTAL USES	3,405,478	9,756,112	9,869,155	4,848,142		4,848,142
Excess(Deficit) Sources over Uses	710,404	17,380	351,041	76,595		76,595
FUND BALANCE BEGINNING	4,574,444	4,606,572	4,606,572	4,957,613		4,957,613
FUND BALANCE ENDING	5,284,848	4,623,952	4,957,613	5,034,208		5,034,208
Debt Service Reserve	(1,414,358)	(1,688,325)	(1,301,730)	(1,628,051)		(1,628,051)
AVAILABLE FUNDING	\$3,870,490	\$2,935,627	\$3,655,883	\$3,406,157		\$3,406,157
Minimum Fund Balance		378,968	418,268	430,159		430,159
Over/Under Policy		2,556,659	3,237,615	2,975,998		2,975,998
Bond Coverage Ratio	2.17	1.74	1.95	2.46		2.46

COMPONENT UNIT - SUGAR LAND 4B CORPORATION
CAPITAL PROJECT DESCRIPTIONS
FISCAL YEAR 2006/07 BUDGET

CIP #	PROJECT TITLE	PROJECT DESCRIPTION	PROJECT COST
PK0604	City Park Renovation	Renovation of existing concession stand, restroom and press box. Upgrade the fields, including bleachers, dugout, lighting and landscaping.	\$ 602,000
PK0701	Imperial Park Improvements	Design of trails and pavilions at Imperial Park.	41,000
PK0702	Eldridge Park Trail Lighting	Add lighting to the existing trail around the pond at Eldridge Park.	75,000
PK0703	Joint Participation in CIP Projects	City provides matching funds for joint participation in projects that benefit the general public.	100,000
PK0704	SH6 & US90A Beautification Improvements	Landscape cost-share project with TxDOT for beautification improvements to SH6 @ US90A overpass. Design of landscaping to be installed when road construction is completed.	82,500
PK0705	Settlers Way Park	Preliminary study to determine the type of improvements that are feasible at the park site without displacing the existing soccer fields.	25,000
PK0706	Park Land Acquisition-Telfair	Preliminary study to acquire 50-75 acres of land in the Telfair development near SH6 & US90A for future parkland.	25,000
PK0707	Cultural Arts Study	Preliminary study to determine the needs of cultural arts related functions and facilities.	150,000
PK0708	SH6 ROW Aesthetics	Preliminary study to develop an overall plan for management of SH6 corridor including landscaping standards, lighting and ROW uses.	50,000
TR0702	Aesthetic Improvements	Design and construction to upgrade traffic signals to ornamental mast arm intersections along SH6. FY06/07 includes design of 7 intersections and construction @ Fluor Daniel, plus streetlight upgrades where needed to Improve lighting.	425,000
TOTAL CAPITAL IMPROVEMENT PROJECTS			\$ 1,575,500

COMPONENT UNIT
SUGAR LAND 4B CORPORATION
DEBT SERVICE REQUIREMENTS TO MATURITY*

	Principal	Interest	Total
2005/06			
2006/07	1,470,000	810,691	2,280,691
2007/08	935,000	746,523	1,681,523
2008/09	975,000	696,910	1,671,910
2009/10	1,025,000	647,116	1,672,116
2010/11	1,085,000	597,260	1,682,260
2011/12	1,135,000	548,820	1,683,820
2012/13	835,000	506,372	1,341,372
2013/14	880,000	467,895	1,347,895
2014/15	925,000	426,643	1,351,643
2015/16	970,000	382,688	1,352,688
2016/17	1,020,000	335,603	1,355,603
2017/18	1,075,000	285,011	1,360,011
2018/19	1,125,000	231,082	1,356,082
2019/20	1,190,000	173,882	1,363,882
2020/21	1,250,000	113,451	1,363,451
2021/22	925,000	59,988	984,988
2020/23	260,000	31,638	291,638
2021/24	275,000	19,600	294,600
2020/25	290,000	6,706	296,706
	<u>\$17,645,000</u>	<u>\$7,087,875</u>	<u>\$24,732,875</u>



TIRZ #1**FISCAL YEAR 2006/07 BUDGET****INCOME STATEMENT**

	FY 04/05 Actual	FY 05/06 Budget	FY 05/06 Projections	FY 06/07 Base Budget	Program Enhance- ments	FY 06/07 Budget
OPERATING REVENUES						
Property Taxes	\$ 391,800	\$ 642,457	\$ 578,113	\$ 819,550		\$ 819,550
Interest Income	152	1,250	5,300	5,000		5,000
TOTAL OPERATING REVENUES	391,952	643,707	583,413	824,550		824,550
OPERATING EXPENDITURES						
Insurance	3,802	12,000	11,313	12,000		12,000
Postage	365	500	500	500		500
Printing		150	135	150		150
Legal Expenses	13,876	10,000	5,000	10,000		10,000
Marketing Events	200,000	200,000	200,000	200,000		200,000
Professional Services	2,240		560			
Contractual Services	5,000	7,000	10,500	2,000		2,000
Support Services	8,000	8,000	8,000	9,000		9,000
Licenses and Fees						
Banking Fees						
OPERATING EXPENDITURES	233,283	237,650	236,008	233,650		233,650
Reimbursement to City of Sugar Land	99,242					
Reimbursement to SPI	37,940					
Assignment to Sugar Land 4B Corp		279,060	128,075	308,438		308,438
Assignment to Sugar Land Devel Corp		202,000	276,732	303,000		303,000
NON-OPERATING EXPENDITURES	137,182	481,060	404,807	611,438		611,438
NET INCOME (LOSS)	21,487	(75,003)	(57,402)	(20,538)		(20,538)
FUND BALANCE - BEGINNING	74,330	95,817	95,817	38,415		38,415
FUND BALANCE - ENDING	\$ 95,817	\$ 20,814	\$ 38,415	\$ 17,877		\$ 17,877